Government of Saskatchewan

Annual Report for the Year Ending March 31, 1985

Saskatchewan Revenue and Financial Services

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Letter of Transmittal

Hon. Myles Morin

Minister
of Revenue and
Financial Services

Regina, Saskatchewan

The Honourable Frederick W. Johnston
Lieutenant Governor of Saskatchewan

Dear Sir:

I have the honour to submit herewith the Annual Report for Saskatchewan Revenue and Financial Services for the fiscal year ending March 31, 1985.

Respectfully submitted,

Myles Morin
Minister of Revenue and Financial Services

Deputy Minister's Transmittal

Saskatchewan
Revenue and
Financial Services

Regina, Saskatchewan

The Honourable Myles Morin
Minister of Revenue and Financial Services

Dear Sir:

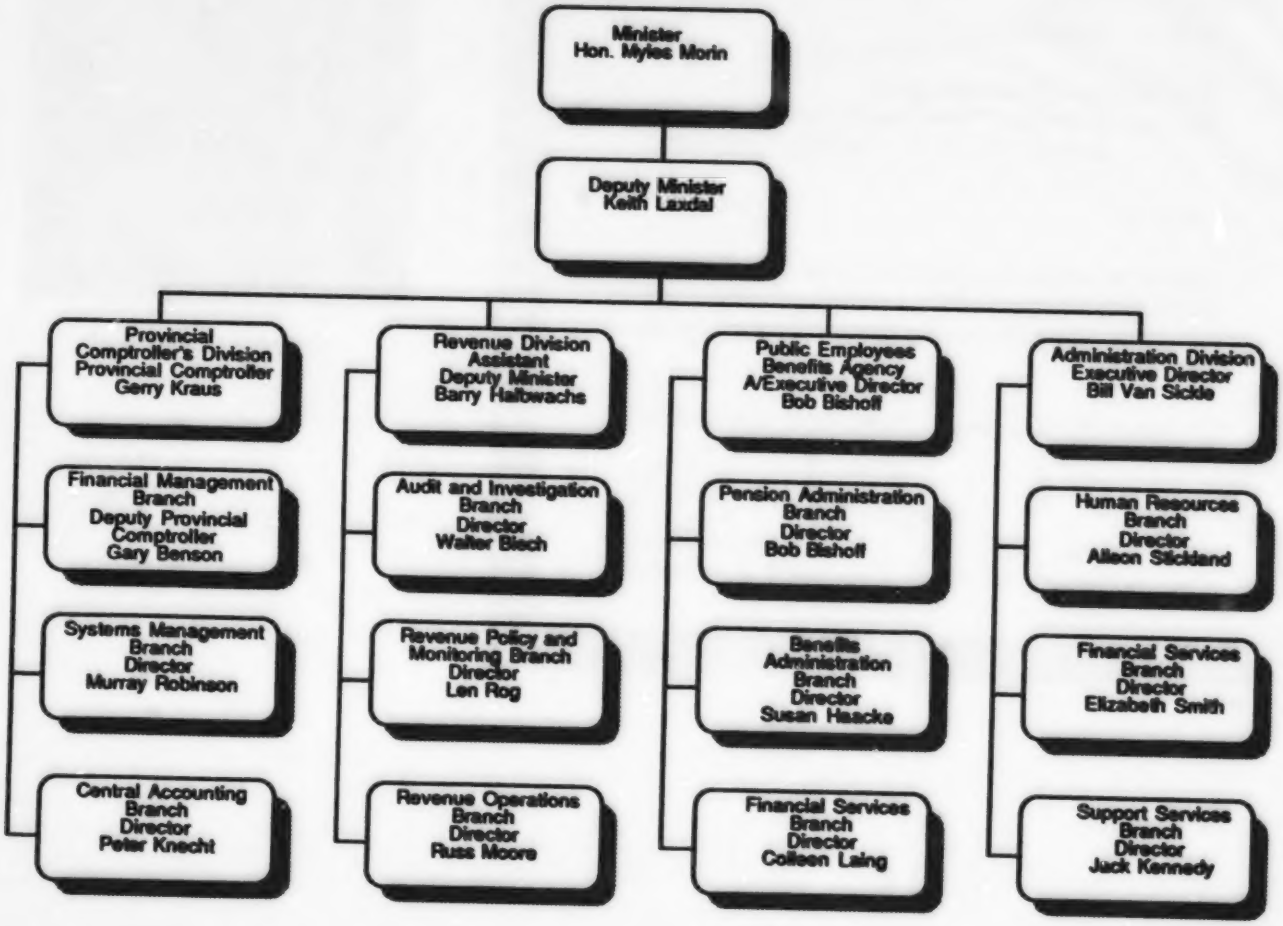
I have the honour to present for your consideration the Annual Report of Saskatchewan Revenue and Financial Services for the fiscal year ending March 31, 1985.

Respectfully submitted,

Keith Laxdal
Deputy Minister

Keith Laxdal

Organization Chart



Deputy Minister's Introduction

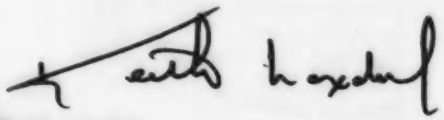
The mission of Saskatchewan Revenue and Financial Services is to use its pool of expertise...to assist the government and the Legislature with their responsibility of managing and accounting for the public purse...to administer the collection of major consumption taxes and miscellaneous revenue sources and to administer various grant and refund programs...to manage and administer various public service pension and benefit plans...to provide a variety of administrative services to the department and several other departments and agencies.

I am proud to highlight for you some of the department's major achievements for 1984-85. Those accomplishments included:

- The Financial Management Systems Project (FMSP) is a joint undertaking of the Department of Revenue and Financial Services, the Department of Finance and the Public Service Commission. A government-wide Budget Preparation System was implemented during the Summer of 1984. A Revenue and Expenditure System was developed during 1984-85 and implemented on April 1, 1985. A Human Resource System also was under development with implementation scheduled for late 1985.
- The Canada Savings Bond payroll savings plan, administered by the Provincial Comptroller's Division, was a success again in 1984-85 with $2.0 million in bonds being purchased compared to $1.7 million in 1983-84.
- The Provincial Comptroller's Division made over 391,000 payments.
- The Revenue Division implemented a pro-active taxpayer information program to assist new businesses in understanding their tax-related responsibilities.
- The Mortgage Interest Reduction Plan paid out $10.7 million in benefits to Saskatchewan homeowners.
- The Revenue Division collected $549 million in tax revenue.
- The Public Employees Benefits Agency administered a voluntary early retirement program, with 583 employees opting for early retirement.

These achievements are the result of the outstanding contribution of the staff of Saskatchewan Revenue and Financial Services. I would like to thank all employees; the high calibre of their work combined with their dedication and co-operative spirit contributed greatly to our success as a department in 1984-85.

Respectfully submitted,



Keith Laxdal

Provincial Comptroller's Division

Provincial Comptroller
Gerry Kraus

The Provincial Comptroller's Division assists the government and the Legislature with their responsibility of managing and accounting for the public purse.

The division makes or authorizes payments out of the principal funds of the province in accordance with established financial policy, budgetary restrictions and authority. It also reports to the government and the Legislature the revenue and expenditures of the principal funds and other funds under the control of the Minister of Finance.

Part of the Provincial Comptroller's Division mandate is to assist with the improvement of the financial management of the government by developing policy and procedures, by reviewing legislation and proposed information systems and by providing opportunities for the development of financial managers. The division also acts as an in-house financial management consulting unit.

Financial Management Branch

Assisting the Provincial Comptroller in monitoring the government's financial processes is the major responsibility of the Financial Management Branch. It fulfills this mandate in a number of ways:

1. The branch acts as an intragovernmental financial consulting unit. The branch believes that sound financial management practices can best be attained in departments by helping solve problems and implement solutions. This proactive approach is particularly desirable with the design or modification of financial systems and procedures.

2. The branch develops and amends accounting and reporting policy for the approval of Treasury Board. Furthermore, through directives contained in the government's Financial Administration Manual and Payroll Administration Manual, it communicates policy and sets out procedural requirements.

3. The branch undertakes a number of policy monitoring activities:

   a) Review draft legislation and regulations to ensure consistency and compatability with existing legislation and policy and to ensure that responsibility and accountability for financial management are clearly defined;

   b) Review the Provincial Auditor's reports to ensure that departments take cost-effective remedial action on control problems;

   c) Review and approve the format of financial statements of various boards and agencies. Annually, approximately 120 sets of financial statements must be reviewed and forwarded to Treasury Board for approval.

4. Another separate area of responsibility pertains to Federal-Provincial cost sharing arrangements. Generally, the province finances 100% of the program cost and subsequently submits a claim to the Federal Government for its share. The branch monitors the timeliness of these claims and , where required, audits them.

1984-85 Activities

The Saskatchewan Water Corporation was established in July 1984. The branch assisted with the design and implementation of its financial and administrative structure. The branch was similarly involved with the setup of the Advanced Technology Training Centre.

During the year, Saskatchewan Social Services began development of a new computer system for the Saskatchewan Assistance Plan. The branch provided assistance with the design, development and implemention of this system, particularly in the area of internal control.

In July of 1984, the Public Service Commission initiated a project that involved the delegation of staffing and classification to departments and the amalgamation of these functions across government into nine service departments. The Financial Management Branch evaluated the implications for payroll administration. Monitoring of implementation will continue into 1985-86.

The Treasury Board Accounting and Reporting Policy Manual was completed after almost two years of effort, approved by Treasury Board and released on April 1, 1985. As well, the Financial Administration Manual had to be rewritten to complement the Policy Manual.

Central Accounting Branch

The Central Accounting Branch makes or authorizes payments out of the Heritage and Consolidated Funds in accordance with established financial policy, budgetary restrictions and the authority designated by legislation. Expenditure requests from departments are audited to ensure that adequate monies exist in the appropriation and that the expenditures are authorized in accordance with legislation. The branch then processes the expenditure requests and issues cheques.

The branch maintains a record of revenue and expenditures and issues periodic reports to departments.

The Central Accounting Branch prepares the annual Financial Statements of the Province for tabling in the Legislature.

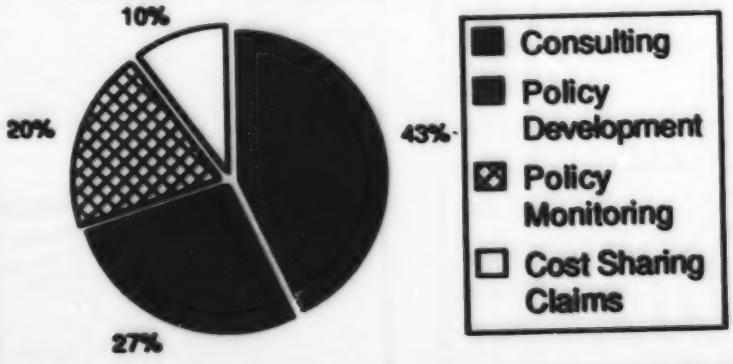
1984-85 Activities

The first phase of a new audit concept for expenditures was implemented during 1984-85. Instead of comprehensively pre-auditing all payments, compliance with certain critical payment criteria are confirmed by a prepayment audit and compliance with less critical administrative policy and procedural matters are confirmed by a post-payment audit on a sample basis only. As a result, fewer audit resources are required to maintain reasonable assurance that payments are appropriately supported. The resources which have been made available are being used to conduct post-audit reviews on departmental expenditure processes where not all of the supporting documentation is received by the branch (e.g. imprest systems and certain grant programs). As a result, better overall coverage with existing resources is obtained. Departments' performance, in terms of compliance with administrative policy and procedural matters, is being monitored and recommendations for improvement are made as required.

Systems Management Branch

The Systems Management Branch assists the Provincial Comptroller with development and implementation of new financial management systems and with changes to existing systems. During 1984-85, the Computer Operations Branch was merged with the Systems Management Branch to consolidate the developmental and support activities of automated systems.

Financial Management Branch Time Usage

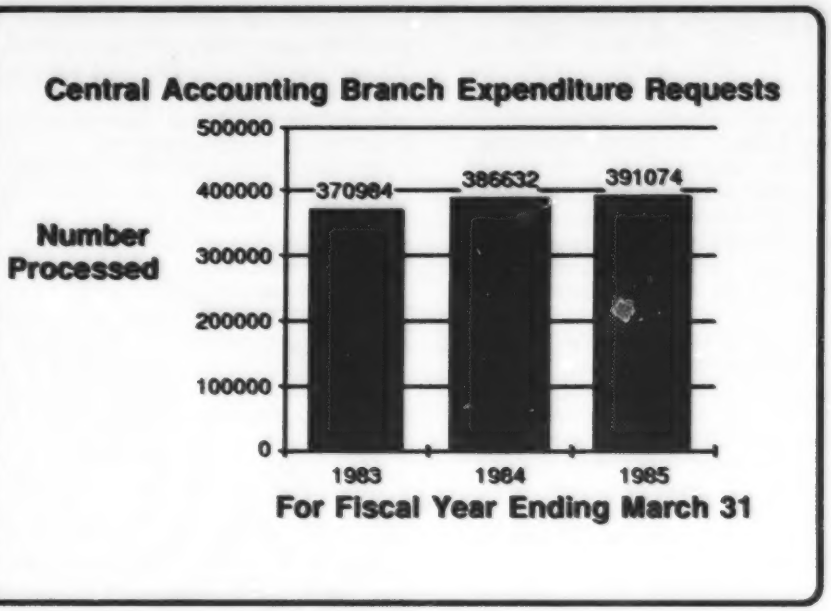


1984-85 Activities

During the fiscal year the Budget Preparation System was implemented. The system was used by departments in the preparation and submission of their 1985-86 budgets. When the Budget was passed by the Legislative Assembly, an automated process was used to transfer the approved budget amounts to the new Revenue and Expenditure System, which was implemented April 1, 1985.

The development of the Revenue and Expenditure System was the major task of the branch during the year. Software programs were developed, tested and prepared for the April, 1985 implementation. During the last quarter of the fiscal year, extensive training seminars were held for departmental users of the new systems.

In addition, extensive development occurred on the Human Resource System. Members of the project team identified and designed modifications to the software package. During the Fall of 1984, departmental briefings were held to explain the functions of the new system. A phased implementation strategy was developed with the first department scheduled for late 1985.



Revenue Division

Assistant Deputy Minister - Revenue Barry Halbwachs

The Revenue Division administers Saskatchewan's direct consumption taxes, selected miscellaneous revenue sources and certain grant and refund programs.

The division is organized along functional lines into three branches: Revenue Operations, Audit and Investigation, and Revenue Policy and Monitoring.

1984-85 Activities

In 1984-85, the Revenue Division collected approximately $549 million in taxes and other levies. The major sources of revenue were: Education and Health Tax, $305 million; Tobacco Tax, $60 million; Motor Vehicle Registration Fees, $57 million and Liquor Consumption Tax, $40 million.

The division's audit activities resulted in $11.2 million in revenue for the province through audit adjustments.

The Revenue Division also administers the Mortgage Interest Reduction Plan. In 1984-85, benefits totalling $10.7 million were paid to Saskatchewan homeowners.

The Revenue Division commissioned a Customer Attitude Survey to find out how the business community viewed the quality of service provided by the division and to determine ways to improve this service. The survey indicated that the overall perception of the Revenue Division is very positive, with respondents regarding the division as efficient, timely and effective in the practise of its mandate.

In 1984-85, the division implemented a pro-active taxpayer information program which assists new businesses in understanding their tax-related responsibilities.

The Revenue Division also implemented a number of Education and Health Tax exemptions in 1984-85. Effective April 1, 1984, the tax on electricity used in homes, on farms and in recreation complexes was removed. In addition, the tax on research and development prototypes, prostheses and certain farm-related items was eliminated.

Revenue Collection (In Thousands of Dollars)

	1982-83	1983-84	1984-85
Education & Health Tax	$276,398	$300,736	$304,698
Tobacco Tax	35,421	48,823	59,967
Motor Vehicle Registration Fees	45,314	54,187	57,346
Liquor Consumption Tax	35,607	39,589	40,316
Fuel Tax	15,046	13,593	32,108
Corporation Capital Tax	24,222	28,985	27,885
Other Revenues	19,127	24,999	26,396
Total	**$451,135**	**$510,912**	**$548,716**

Revenue Operations Branch

The Revenue Operations Branch is responsible for:

a) licensing vendors to collect taxes and maintaining a tax roll of vendors who collect and remit taxes;

b) providing information to taxpayers and the general public to assist them in understanding tax, refund and rebate programs;

c) processing, depositing and reconciling revenue;

d) providing a collection service for the Revenue Division; and

e) operating refund and rebate programs administered by the Revenue Division.

The collection, processing and taxpayer service activities for the Education and Health Tax, Liquor Consumption Tax, Tobacco Tax, Corporation Capital Tax and other miscellaneous revenues and refund programs are centralized within the Revenue Operations Branch.

The branch is also responsible for administering the Mortgage Interest Reduction Plan.

Number of Taxpayers, Vendors and Collectors by Major Tax Types 1984-85

Education and Health Tax	29,975
Liquor Consumption Tax	1,348
Corporation Capital Tax	719
Tobacco Tax	181

Refunds Processed 1984-85

	Number	Value
Capital Gains Tax Rebate	1648	$3,789,532
Residential Mobile Home Refund	252	177,595

Audit Regions

Audit and Investigation Branch

The Audit and Investigation Branch is responsible for the development, planning and implementation of audit programs. These programs are designed to ensure that taxpayers who remit tax, or who qualify for refunds, are treated equitably and in accordance with the statutes and regulations.

The branch is required to conduct audits under The Education and Health Tax Act, The Liquor Consumption Tax Act, The Fuel Tax Act, The Tobacco Tax Act, The Corporation Capital Tax Act, the Capital Gains Tax Rebate Program, the Canadian Agreement on Vehicle Registrations and the Interprovincial Sales Tax Arrangement.

To meet its responsibilities the Audit and Investigation Branch:

a) develops audit philosophy, programs and procedures;

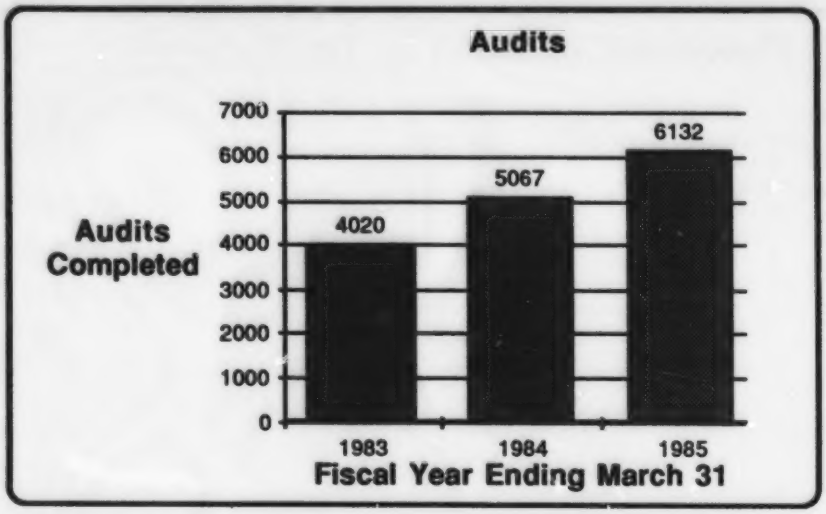
b) conducts field and desk audits;

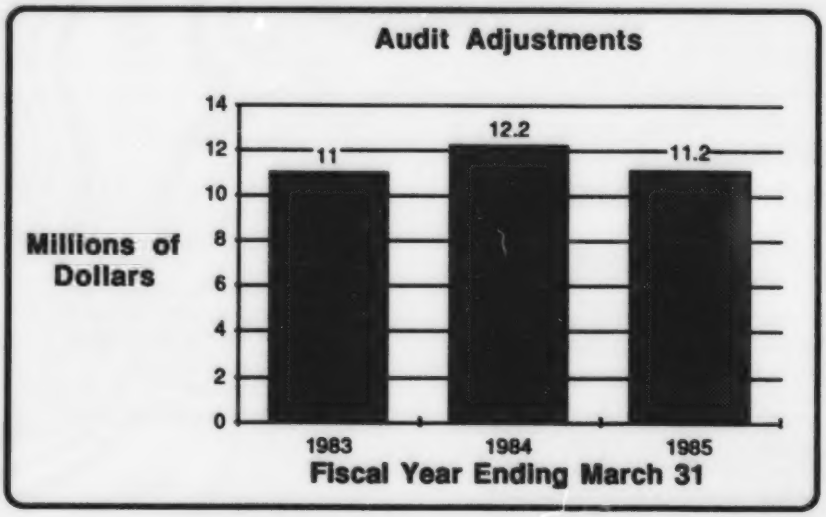
c) develops and conducts post-audit review programs;

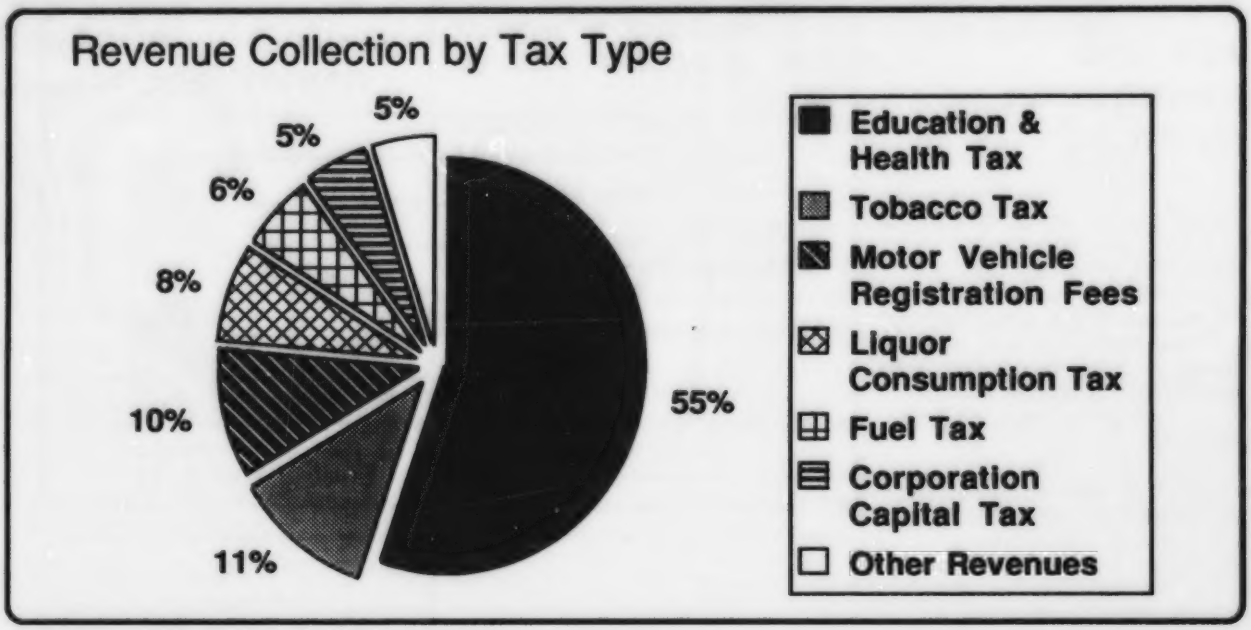
d) investigates taxpayer complaints; and

e) initiates audit action for the tax statutes and regulations.

The branch provides assistance and guidance to taxpayers and acts as a liaison with other departments and other provincial governments to ensure that interprovincial agreements are properly administered.







Revenue Policy and Monitoring Branch

The major responsibilities of the Revenue Policy and Monitoring Branch include:

a) formulating consistent and uniform policies related to the collection of taxes and the provision of rebates and refunds;

b) acting as liaison with the Department of Finance on taxation matters related to programs administered by the division;

c) monitoring the activities of the Revenue Operations Branch and the Audit and Investigation Branch; and

d) providing interpretations of taxing statutes and rulings.

The branch also acts as a liaison with other jurisdictions in matters affecting taxation programs assigned to the Revenue Division.

Public Employees Benefits Agency

Acting Executive Director
Bob Bishoff

The Public Employees Benefits Agency administers various pension and benefit programs for the public service and some crown corporations, boards and agencies.

Pension Administration Branch

In 1984-85, the agency was responsible for the administration of the following pension plans:

1) the Public Employees (Government Contributory) Superannuation Plan;
2) the Public Service Superannuation Plan;
3) the Judges of the Provincial Court Superannuation Plan;
4) the Members of the Legislative Assembly Superannuation Plan;
5) the Saskatchewan Transportation Company Superannuation Plan;
6) the Anti-Tuberculosis League Superannuation Plan;
7) the Workmen's Compensation Board Superannuation Plan; and
8) the Liquor Board Superannuation Plan.

1984-85 Activities

The administration of the Voluntary Early Retirement Program was assumed by PEBA in March 1984. In addition to their superannuation allowances, retirees received one day's pay per year of pensionable service as severance pay, as well as a bridge benefit of $250 per month to age 65. The program was successful, with 583 employees opting for early retirement.

The government has recognized the need to maintain the purchasing power of pensions paid to its superannuates. Supplementary allowances have been provided in years past to offset the eroding effect inflation has on the value of fixed pensions. In 1984-85, a supplementary allowance of $13.00 per year of pensionable service was granted to superannuates of the Public Service Superannuation Plan. An allowance of $7.80 per year of service was granted to spouses of deceased superannuates.

The investment earnings for the Public Employees Superannuation Plan's fund allowed the Public Employees Supervisory Board to declare an interest rate of 14.17% for the 1984-85 fiscal year. Earnings of the fund during the year are distributed to members' accounts at the end of each fiscal year. The

Accounts administered by the Public Employees Benefits Agency by type as of March 31, 1985

Pensions*	27,027
Group Life Insurance Plan	30,307
Disability Income Plan	12,349
Dental Plan	13,846

* This number includes employees contributing to pensions plans, as well as those drawing a pension.

fund, itself, continues to grow and totalled approximately $200 million at the end of 1984-85.

The agency undertakes actuarial valuations of the government's pension plans on a regular basis. Studies were commissioned on the Anti-Tuberculosis League Superannuation Plan and the Saskatchewan Transportation Company Superannuation Plan in 1984-85.

Benefits Administration Branch

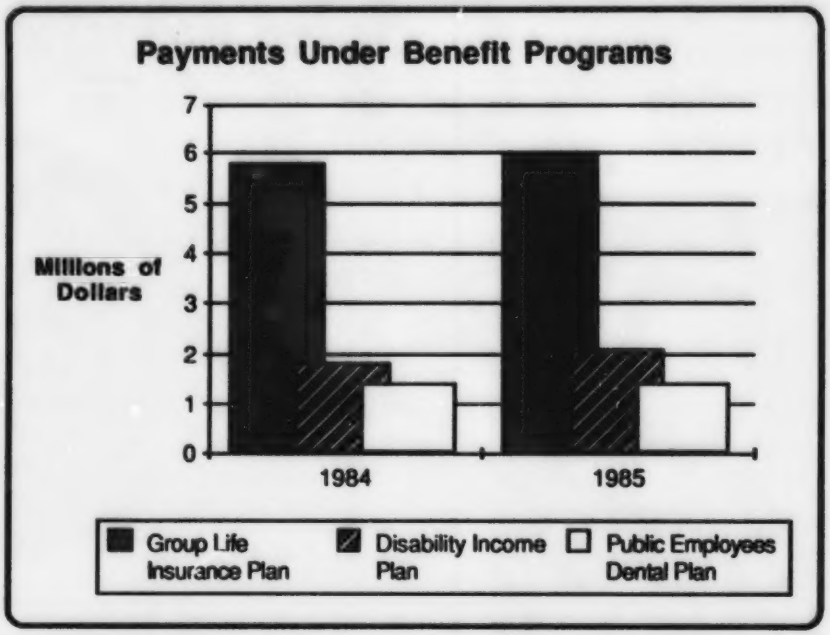
The agency also administers the Government of Saskatchewan Public Employees Group Life Insurance Plan, the Public Employees Dental Plan and the Government of Saskatchewan Public Employees Disability Income Plan.

The Group Life Insurance Plan provides life insurance coverage to employees, their spouses and children. The plan also includes additional accident coverage for employees.

The Dental Plan provides reimbursement to offset dental costs to certain employee groups. The plan reimburses employees, within limits, to 100% of preventative work, 75% of routine work and 50% of major restorative work.

The Disability Income Plan protects the employee against financial hardship should they become disabled either at work or at home. The plan provides for 75% of the employee's predisability income to those who are disabled for longer than four months.

Benefits may continue for up to 20 months for those who are disabled for their own occupation or until age 65 for those who are disabled for any occupation. The administration of the Disability Income Plan is governed by the Disability Income Plan Council which is composed of representatives of the various participating employee and employer groups.



1984-85 Activities

In 1984-85, an operational audit of the Public Employees Benefits Agency was co-ordinated by the Financial Management Branch of the Provincial Comptroller's Division, utilizing the agency's staff resources. A number of tangible improvements are occurring as a result of the findings.

The agency improved efficiency and strengthened financial control in benefit plan administration resulting in better claims administration, improved communications and faster turnaround time on claims.

A number of improvements to the Group Life Insurance Plan were announced. Effective May 1, 1985, group life insurance premiums were reduced from $0.26 to $0.20 per $1000 of coverage per month.

As well, the Plan was improved in other regards:

. the death benefit for dependents of permanent employees was increased from $2,500 to $3,000 ;

. the paid-up certificate on retirement for permanent employees also was increased from $2,500 to $3,000; and

. for the first time, spouses and dependents of non-permanent employees are covered under the Plan; the death benefit for spouses is $3,000, while the death benefit for dependents is $1,000.

Financial Services Branch

The branch ensures the existence of effective financial and information systems, produces financial information for decision making purposes and provides payroll services to the pension plans.

Group Life Claims for the Year Ending Dec. 31, 1984

Employee Life Claims	68
Employee Spouse Claims	38
Employee Dependant Claims	21
Accidental Death	6
Total	**133**
Paid up Certificates Issued	737
Conversion Options Exercised	17
Dollar Value Of Settlements	**$5,996,435**

Disability Income Plan for Year Ending Dec. 31, 1984

Active Claimants at Year End	122
Dollar Value of Claims Processed	$2,154,448

Public Employees Dental Plan for Year Ending Dec. 31, 1984

Number of Claims Processed	18,916
Dollar Value of Claims Processed	$1,394,007

1984-85 Activities

The branch automated the calculation of supplementary increases and income tax deductions for over 4,000 pensioners. In addition, the branch computerized the accounting for the Public Employees (Government Contributory) Superannuation Plan.

Financial control over the benefit plans was improved. In 1984-85, the branch developed and implemented random sampling techniques to test the accuracy of contributions to and claim payments from the three benefit plans. As well, the branch prepared the first set of audited financial statements for each of the benefit plans.

Administration Division

Executive Director
Bill Van Sickle

The Administration Division supplies those services to the Department of Revenue and Financial Services which are necessary for its day to day operation. These services include: financial, personnel and support services, including communications.

The Administration Division also provides its expertise to a group of client departments. The Departments of Finance, Labour, Telephones, and Science and Technology as well as Executive Council, Public Service Commission, Provincial Secretary, Women's Secretariat, Local Government Finance Commission, Indian and Native Affairs Secretariat and Local Government Board receive administrative support from this division.

The activities of each of the three branches of the Administration Division for the 1984-85 fiscal year are dealt with separately below.

Financial Services Branch

The Financial Services Branch provides accounting, payroll and budgeting services to the Department of Revenue and Financial Services and to several client departments. In addition, the branch supplies direction to the department and the clients for developing and implementing financial policies and procedures.

1984-85 Activities

During 1984-85, the branch acquired a microcomputer for the division; co-ordinated the establishment of a new chart of accounts for the department and the clients; and, co-ordinated the implementation of the automated budgeting system.

Internally, the branch developed detailed procedures manuals for all accounting and payroll functions, and took steps to achieve efficiencies and enhance the level of service provided.

Human Resources Branch

The Human Resources Branch is responsible for providing personnel services to the Department of Revenue and Financial Services and to several client agencies. Services include staffing, classification, employee relations, contract and benefit administration, manpower planning and development, and personnel information and record keeping.

1984-85 Activities

During the 1984-85 fiscal year, the branch worked extensively with senior managers and the Public Service Commission to prepare for the introduction of the new Management and Professional Classification Plan. The branch also provided information services and co-ordinated activities related to the Voluntary Early Retirement Program; the department honoured 13 employees who elected to take early retirement.

Two internal training programs for management staff were co-ordinated by the division. The senior management team attended a Managing Human Performance orientation and training seminar and visited several government departments to discuss performance management programs. Preparations were made to introduce a 'work planning and review system' in the department in 1985-86.

Support Services Branch

The Support Services Branch is responsible for acquiring supplies, equipment, space and furniture for the Department of Revenue and Financial Services and its client departments and agencies. The branch offers communication assistance to department managers and provides a data entry facility for the Revenue Division.

1984-85 Activities

During 1984-85, much of the branch's time was spent on settling the department into new offices. A number of renovations and moves took place involving facilities on the first, sixth, seventh and ninth floors of 2350 Albert Street.

The branch does much of the purchasing work for the Administration Division's clients. During the year, changes were made to strengthen administrative control and accountability in this area.

In the area of communications, the branch continued to produce a department phone book, organization charts and a staff newsletter. The newsletter, RFS, features articles and information about the Department of Revenue and Financial Services and, in each issue, covers the department's popular and innovative Employee of the Month program.